

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA
CEDAR RAPIDS DIVISION**

HIGHWAY EQUIPMENT COMPANY, INC.,
an Iowa Corporation,

Plaintiff,

vs.

FECO, LTD., an Iowa Corporation;
DOYLE EQUIPMENT MANUFACTURING
COMPANY, an Illinois Corporation;
STAN DUNCALF, an individual,

Defendants.

No. C03-0076

ORDER

I. INTRODUCTION

This matter comes before the court pursuant to the April 7, 2005 motion of defendants FECO, Ltd. and Stan Duncalf (hereinafter collectively referred to as “FECO”) seeking a determination that this is an “exceptional case” under 35 U.S.C. § 285, thereby entitling FECO to an award of attorney fees and expenses (docket number 147). FECO’s motion arose following the April 1, 2005 filing of Highway Equipment Company, Inc.’s (hereinafter referred to as “HECO”) declaration and covenant not to sue (docket number 141). As set forth below, the court finds that this is not an “exceptional case” pursuant 35 U.S.C. § 285 and denies FECO’s motion for attorney fees and expenses.

II. PROCEDURAL BACKGROUND

On June 17, 2003, HECO filed suit against FECO and Doyle Equipment Manufacturing Company alleging infringement of a United States patent relating to a

spreader device for agricultural and road maintenance application, and lawn care.¹ The patent-in-suit is known as the Adjustable Spinner for a Particulate Material Spreader patent, U.S. Patent 6,517,281 B1 (the '281 patent). On May 21, 2004, FECO filed a motion for partial summary judgment finding no infringement under literal infringement or under the doctrine of equivalents regarding claims 1, 8, 13, 14, 17 and 20 of the '281 patent (docket number 40). By order dated February 10, 2005, the court denied FECO's motion as to literal infringement of claims 1, 8, and 17, granted FECO's motion as to literal infringement of claims 13, 14, and 20, and granted FECO's motion finding that HECO was estopped from asserting infringement under the doctrine of equivalents as to all asserted claims (docket number 114). HECO then moved for partial summary judgment finding that three FECO devices, (1) the FECO "screw spreader"; (2) the FECO "FLAS-I lever spreader"; and (3) the FECO "rack and pinion spreader," literally infringe claims 1, 8, 13, 14, and 17 of the '281 patent (docket number 70). By order dated February 10, 2005, the court granted in part and denied in part FECO's motion for partial summary judgment concerning literal infringement (docket number 114).

HECO then moved for summary judgment on (1) FECO's counterclaim pursuant to Iowa Code § 322F for HECO's wrongful termination of the dealership agreement between HECO and FECO; and (2) FECO's counterclaim for tortious interference. By orders dated March 22, 2005 the court granted in part and denied in part HECO's motion for summary judgment (docket number 131) and granted HECO's motion for partial summary judgment on FECO's counterclaims pursuant to Iowa Code § 322F and for tortious interference (docket number 132).

Trial was set in this matter for April 11, 2005. Following the March 31, 2005 final pre-trial conference, HECO filed a stipulation and motion for dismissal with prejudice (docket number 140). On April 1, 2005, HECO filed a notice of declaration and covenant

¹Doyle Equipment Manufacturing Company is no longer a party to this lawsuit, having previously reached an out-of-court resolution with HECO.

not to sue (docket number 141). By order dated April 1, 2005, the court granted HECO's stipulation of dismissal with prejudice as to all of HECO's claims and as to all of FECO's counterclaims. (docket number 142).

FECO then requested a determination that this case is "exceptional" and an award of attorney fees. HECO resisted, arguing that its covenant not to sue deprived the court of subject matter jurisdiction to entertain FECO's motion for fees under 35 U.S.C. § 285, and that FECO was not a "prevailing party" nevertheless. The court rejected both of HECO's arguments and a four-day evidentiary hearing on FECO's motion was held, commencing on April 27, 2005.

III. THE "EXCEPTIONAL CASE" STANDARD UNDER 35 U.S.C. § 285

In a patent case, a court may award reasonable attorney fees under 35 U.S.C. § 285 to a prevailing party in a patent infringement case only if the case is exceptional. See 35 U.S.C. § 285 ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). Whether a case is "exceptional" is a question of fact requiring clear and convincing evidence. Brasseler v. Stryker Sales Corp., 267 F.3d 1370, 1378-79 (Fed. Cir. 2001). A patent case may be exceptional if there has been material inappropriate conduct related to the patent in suit, such as willful infringement, fraud or inequitable conduct in procuring the patent, or if there has been misconduct during litigation, bad faith litigation, or a frivolous suit. Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005); Epcon Gas Sys., Inc. v. Bauer Compressors, Inc., 279 F.3d 1022, 1034 (Fed. Cir. 2002).

The determination whether to award attorney fees under 35 U.S.C. § 285 involves a two-step inquiry. First, the court must determine whether the moving party (FECO) has proved by clear and convincing evidence that this case is "exceptional." Stephens v. Tech Int'l, Inc., 393 F.3d 1269, 1273 (Fed Cir. 2004) (citing Cybor Corp. v. FAS Techs., 138 F.3d 1448, 1460 (Fed. Cir. 1998)). Inequitable conduct and litigation misconduct may

constitute grounds for finding a case exceptional. Brooks Furniture Mfg., Inc., 393 F.3d at 1381; Forest Labs, Inc. v. Abbott Labs, 339 F.3d 1324, 1329-30 (Fed. Cir. 2003). However, as the court very recently stated in Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp, 2005 WL 1383325 (E.D. Va. June 6, 2005),

The starting point in the analysis is the language of the governing statute, which expressly grants district courts the discretion to award reasonable attorney's fees to the prevailing party "in exceptional cases." 35 U.S.C. § 285 (providing that "[t]he court in exceptional cases **may** award reasonable attorney fees to the prevailing party") (emphasis added). Although the patent statute itself does not provide any guidance as to the contours of the exceptional case category, it is important to begin the analysis by recognizing that the term "exceptional" is generally defined as "forming an exception," "being out of the ordinary," "uncommon" or "rare." WEBSTER'S THIRD NEW INT'L DICTIONARY 791 (1993).

In sum, Congress in choosing to limit district court authority to award attorney's fees to "exceptional" cases has made clear that this should occur only in rare or extraordinary cases.

Id. at *11, *13. See also Lighting World, Inc. v. Birchwood Lighting, Inc., 382 F.3d 1354, 1367 (Fed. Cir. 2004) (A party's showing that an applicant engaged in inequitable conduct does not automatically render a case "exceptional" for purposes of the attorney fee statute.).

Second, if the court finds the case to be exceptional, it must then determine whether an award of attorney's fees is appropriate. Stephens, 393 F.3d at 1460. Again, as recently explained in Knorr-Bremse,

In the event a case is deemed "exceptional" under the statute, the second step in the § 285 analysis requires the district court then to exercise its discretion in determining whether an award of attorney's fees is warranted given the particular circumstances of the case. See Enzo Biochem, Inc. v. Calgene, Inc., 188 F.3d 1362, 1370 (Fed. Cir. 1999). In

other words, even if a case is found to be “exceptional” within the meaning of § 285, it does not necessarily follow that attorney’s fees must be awarded to the prevailing party.

2005 WL 1383325 at *12 (footnote omitted). See also Revlon, Inc. v. Carson Prods. Co., 803 F.2d 676, 679 (Fed. Cir.), cert. denied, 479 U.S. 1018, 107 S. Ct. 671 (1986) (“Attorney fees are not to be routinely assessed against a losing party in litigation in order to avoid penalizing a party ‘for merely defending or prosecuting a lawsuit,’ . . . and are awarded to avoid a gross injustice.”).

IV. SUMMARY OF THE PARTIES’ ARGUMENTS²

A. FECO’s Arguments

FECO argues that this case is “exceptional” pursuant to 35 U.S.C. § 285 as a result of HECO’s inequitable conduct before the PTO and due to HECO’s misconduct during the course of the litigation. Regarding HECO’s alleged inequitable conduct before the PTO, FECO contends that HECO, with intent to deceive, failed to disclose material prior art, i.e., the Rawson device and its own GT spreader, during prosecution of the ‘281 patent, and failed to name Dick Serbousek as a co-inventor on the patent.

FECO submits six instances of alleged litigation misconduct by HECO in support of its motion for fees under 35 U.S.C. § 285. First, FECO argues that the expert report of John Williams does not comply with Fed. R. Civ. P. 26(a)(2)(b) because John Williams’ report was prepared by HECO’s attorneys, not Mr. Williams. FECO further argues that HECO’s election to proceed with the litigation, notwithstanding the fact that John Williams’ preliminary report clearly concluded that the FECO lever device did not infringe any of the claims of the ‘281 patent, constitutes litigation misconduct. Finally, FECO contends that John Williams’ written report misstated his opinions when compared to his hearing testimony.

²As gleaned from the parties’ proposed findings of fact and conclusions of law and respective responses.

Second, FECO submits that HECO's repeated references to a "phantom spreader," i.e., a spreader which uses a "turnbuckle" device that acts in the same manner as the "screw" described in the '281 patent, amounts to litigation misconduct as it unnecessarily complicated the orderly adjudication of the issues in this case and is based on evidence that is neither reliable nor convincing. According to FECO, HECO's insistence on the existence of a spreader which clearly did not exist, submission of affidavits in resisting FECO's motion for summary judgment which were not based on first-hand knowledge of the "phantom spreader," and the presentation of a demonstrative exhibit bearing no resemblance to any accused product, is the type of litigation misconduct which can be considered in determining whether this case is "exceptional" under 35 U.S.C. § 285.

Third, FECO relies on HECO's failure to timely produce Exhibit G-17, a document prepared after Rissi and Podoll's January 8, 2003 inspection of the Rawson device to demonstrate what they had seen. According to FECO, Exhibit G-17 was the subject of a request for production of documents served on October 29, 2003, but was not produced until March 9, 2005 after repeated, specific requests.

Fourth, FECO argues that HECO's witnesses at the evidentiary hearing were generally unresponsive to questioning by FECO's counsel, and that much of the testimony offered by HECO's witnesses lacked candor. FECO further argues HECO took positions at the hearing which demonstrated a general lack of candor or credibility, e.g., Rissi's hearing testimony regarding Cervelli was directly contrary to his statements made to the PTO.

Fifth, FECO contends that the untimely disclosure of expert witness Professor Jay Kesan is further evidence of a course of conduct on HECO's part intended to subject FECO to the burdens of litigation, without any reasonable basis. FECO submits that Professor Kesan was provided such an incomplete set of materials regarding HECO's conduct that his opinions had limited value at best. FECO also takes issue with the fact that Professor Kesan did not actually inspect the Rawson device prior to reaching his

opinion that Rawson was not material, and argues that Professor Kesan's interpretation of the patent in determining Rawson's materiality violated several well-established principles of patent law, i.e., he construed the claims narrowly in evaluating Rawson.

Sixth and finally, FECO relies on HECO's refusal to honor its obligation under Iowa Code Chapter 322F.3 to buy back certain equipment subsequent to HECO's termination of FECO's dealership. As a result of HECO's refusal, FECO was required to file a motion for summary judgment, which finally prompted HECO to buy back the equipment. FECO submits that this conduct was part of HECO's ongoing efforts to cause hardship to FECO.

B. HECO's Responses to FECO's Arguments

HECO counters that the relevant Rawson device, i.e., the device as it existed prior to the issuance of the '281 patent, is not material prior art. HECO argues that the fact that Rissi considered it "material" is not controlling, nor is the manner in which AL Lorenc claimed that the Rawson device operated as of January 8, 2003. HECO further contends that the relevant Rawson device showed no physical evidence whatsoever that it had an "adjustable" spinner assembly as opposed to a "movable" spinner assembly, which is a significant factual and legal distinction. At most, HECO argues, the record demonstrates a state of confusion concerning the Rawson device prior to the issuance of the '281 patent, which required further investigation, and which is exactly what Rissi did. Alternatively, HECO argues that the Rawson device - even if it did operate as described by Lorenc or as depicted in the video played during the hearing - was cumulative.

HECO submits that the record does not contain clear and convincing evidence of an intent to deceive the PTO. According to HECO, it would be senseless to hide Rawson from the PTO considering the fact that FECO was contending that Rawson was invalidating prior art, i.e., why would HECO want a patent to issue believing it was likely invalid and knowing it would immediately be challenged by FECO if HECO pursued infringement claims? HECO argues that there is no evidence supporting FECO's theory

that HECO rushed to obtain a potentially invalid patent in order to stave off, or defend against, FECO's threatened wrongful dealership termination claim. Instead, HECO contends, Rissi's conduct in investigating Rawson and submitting it to the PTO in the continuation application is indicative of HECO's good faith, which militates against a finding of intent to deceive. Finally, HECO points to Rissi's justified reliance on its patent counsel, Greg Williams, who consistently advised that Rawson need not be disclosed to the PTO. Even if counsel was ultimately wrong, HECO argues, FECO cannot establish that either Rissi or Greg Williams had a culpable state of mind sufficient to warrant a finding of inequitable conduct.

HECO also takes issue with FECO's contention that failing to name Dick Serbousek as an inventor on the patent constitutes inequitable conduct. First, HECO argues that the record contains no evidence that Rissi believed or understood before the patent issued that Serbousek was an inventor of any portion of the device described in the '281 patent. Second, HECO contends that FECO's theory that Serbousek was not named as an inventor in order to avoid Serbousek's knowledge of Rawson makes no sense considering Rissi applied for the '281 patent in May 2000, which is more than two years before anyone thought or suggested that Rawson might be prior art. When it became clear that Serbousek was an inventor, HECO corrected inventorship and Serbousek assigned his interest in the '281 patent to HECO.

HECO argues that none of the alleged instances of "litigation misconduct" makes this case "exceptional" under 35 U.S.C. § 285. First, HECO contends that there was nothing improper about the preparation of John Williams' expert report, which was merely put into final form by HECO's attorneys, using Williams' original draft, and then reviewed and signed by John Williams. HECO further submits that it was not litigation misconduct for John Williams to disagree with FECO's position concerning the meaning of the term "adjustable."

Second, HECO argues that the existence of the “phantom spreader” has been, and remains, a disputed issue of fact in this litigation. As such, it was not litigation misconduct to for HECO to press an infringement claim against the so-called “phantom spreader” and to oppose any attempt on the part of FECO to seek summary judgment on such a claim.

Third, HECO contends that the fact that it was slow to locate and produce Exhibit G-17 is not litigation misconduct as there is no evidence that the delay in production was intentional, the importance of G-17 has been greatly exaggerated by FECO, and it was produced to FECO several weeks before the scheduled trial. According to HECO, this was a minor discovery dispute that did not even reach the level of a motion to compel, not litigation misconduct.

Fourth, HECO disputes FECO’s contention that HECO’s witnesses were unresponsive and lacked candor. HECO submits that its witnesses were not required to simply agree with FECO’s counsel, and that the extended cross-examination was as much or more the fault of FECO’s counsel than of the witnesses.

Fifth, with respect to Professor Kesan’s report, HECO argues that FECO suffered no prejudice due to the timing of its disclosure as FECO availed itself of the opportunity to visit with Professor Kesan and declined the opportunity to depose him. Any complaints regarding the substance of Professor Kesan’s report, HECO argues, go to the weight that should have been given the report if it had been introduced in the trial that never occurred.

Finally, HECO submits that FECO’s litigation conduct must be considered as well in determining if this case is “exceptional,” and that FECO’s own litigation conduct demonstrates that a fee award is not warranted. For example, HECO points to FECO’s argument, advanced before trial and at the hearing, that Stan Duncalf actually invented the device described in the ‘281 patent, and FECO’s apparent abandonment of that claim. HECO further submits that FECO provided knowingly false answers to interrogatories regarding FECO’s alleged sale of spreaders with fixed dividers to specific customers, which required HECO to contact these customers directly. Only at the recent hearing did

FECO admit the truth, which was that it had not sold spreaders with a fixed divider prior to August 1999, Rissi's date of conception. HECO also points to FECO's refusal to produce original drawings of the Rawson device, both when originally requested by Rissi, and as part of discovery in this lawsuit.

V. FINDINGS OF FACT

The technology involved in this case relates to particulate spreaders, used for applying fertilizer or lime to farm fields and salt or sand to roads. Depending on the type and density of material to be spread, adjustments are sometimes necessary to change the point on the spinners where the particulate matter is delivered (the "drop point").

In late August 1999, Matt Rissi, an officer and owner of HECO, conceived of an invention in which an operator could fine-tune the spread pattern of a spinner spreader relative to the stream of material by adjusting an adjustable spinner apparatus under a fixed flow divider. Prior art spreaders typically adjusted the drop point through movement of the divider - the part of the spreader which directs the flow of the material - fore and aft, with the spinner assembly remaining stationary. HECO's G4 spreader is a commercial embodiment of Rissi's invention.

On May 19, 2000, Rissi filed a patent application on his invention. Rissi conferred with Dick Serbousek, a then HECO employee, and asked him if he believed that he should be listed as an inventor on the '281 patent application. Serbousek indicated that he should not. Serbousek was not named as a co-inventor on the application. Serbousek was added as an inventor after Serbousek testified in his deposition that he felt he played a role in developing HECO's G4 spreader. Serbousek had executed agreements with HECO during his employment which required him to assign any invention to HECO.

On September 16, 2002, HECO terminated FECO as a distributor of HECO products. On September 20, 2002, HECO received notice that the '281 patent would be

allowed. Rissi and his patent attorney, Greg Williams, discussed a continuation patent, which required a continuation application before the '281 patent issued.

In October 2002, Doyle and Duncalf informed Rissi that the Rawson device was invalidating prior art with regard to the pending '281 patent. Rissi had previously seen a Rawson unit in the 1980s, but at that time had paid no attention to spinner movements or divider adjustments. Rissi asked Doyle and Duncalf for information regarding the Rawson unit. Duncalf had information regarding Rawson, including original drawings, but neither Doyle nor Duncalf provided any information to Rissi. Rissi opted to undertake his own investigation into Rawson.

In December 2002, HECO searched its own files for information about the Rawson device. He located some pictures, but they disclosed nothing about the actual operation of the Rawson device. Greg Williams, HECO's patent attorney, advised Rissi that he did not need to submit the Rawson unit, as they understood it, to the PTO. Greg Williams advised Rissi that the PTO would not consider the pictures in the evaluation of the patent and that submitting the pictures could possibly delay, but not prevent, the issuance of the patent.

On January 8, 2003, Rissi and HECO's chief engineer, Mike Podoll, inspected a Rawson unit owned by Al Lorenc and took pictures of it. During the inspection, Lorenc represented to Rissi that the Rawson unit could be and had been used in a midship position. Rissi looked for physical evidence on the unit which would support or contradict Lorenc's claims, e.g., dimple marks, an indicator or scale, a mechanical means for adjusting the spinner assembly (such as a handle or a crank), but found none. Further, Rissi noted the presence of inaccessible bolts that would need to be loosened with a wrench in order to move the spinner assembly. Further, Lorenc's described method for moving the spinner assembly involved a hammer and a crowbar, forcing the assembly one side at a time.

On January 9, 2003, Rissi e-mailed the photographs of the Rawson device to his patent attorney, Greg Williams. HECO also prepared a drawing of the Rawson device

(Exhibit G-17), based on the understanding reached by Rissi and Podoll as to how it operated. The drawing was e-mailed to Greg Williams on January 28, 2003. Greg Williams never personally inspected the Rawson unit. Rissi and Greg Williams decided not to submit Rawson during the prosecution of the '281 patent, but instead to wait until the patent issued and then submit Rawson as part of the continuation application.

On January 14, 2003, Rissi filed the continuation application, in which Greg Williams "claimed around" Rawson. On January 27, 2003 Rissi and contacted Ray-Man (a manufacturer of spreaders for Rawson and ultimately the owner of the Rawson device) for information about the Rawson unit, such as owner's manuals, sales brochures, operating instructions, etc. Rissi was searching for information that would either confirm or contradict beyond a shadow of any doubt Lorenc's representations that Rawson was intended to be used as an adjustable spinner. On February 11, 2003, the '281 patent issued. The '281 patent claimed, among other things, a spreader which allowed for adjustment of the drop point by movement of the spinner assembly to different positions fore and aft, below the hopper.

On February 18-20, 2003, Rissi received drawings and advertisements concerning the Rawson device from Ray-Man and Al Lorenc. On April 9, 2003, Rissi filed an affidavit with the PTO in connection with the prosecution of the continuation application. Rissi disclosed the existence of the Rawson device and provided the PTO with the documentation he had located concerning the Rawson device. Greg Williams had advised Rissi that it was not necessary to submit Rawson as part of the continuation application, but Rissi insisted.

VI. CONCLUSIONS OF LAW

As set forth above, FECO argues that HECO's inequitable conduct in prosecuting the '281 patent and its misconduct during the course of the litigation, make this case "exceptional" under 35 U.S.C. § 285, thereby entitling FECO to recover its attorney fees

and expenses incurred in defending this lawsuit. HECO disagrees, arguing that neither its actions before the PTO, nor its conduct throughout the litigation, make this an “exceptional” case where fees should be awarded in order to avoid a gross injustice.

A. Inequitable Conduct - Applicable Legal Standard

Proof of inequitable conduct requires proof by clear and convincing evidence that the patentee

1. withheld material information from the patent examiner or submitted false material information, and
2. did so with the intent to deceive or mislead the examiner into granting the patent.

Intertool, Ltd. v. Texar Corp., 369 F.3d 1289, 1296 (Fed. Cir. 2004) (emphasis added); Hoffmann-LaRoche, Inc. v. Promega Corp., 323 F.3d 1354, 1359 (Fed. Cir. 2003). See also Dayco Prods., Inc. v. Total Containment, Inc., 329 F.3d 1358, 1362 (Fed. Cir. 2003) (noting that acts amounting to inequitable conduct include “affirmative misrepresentations of material fact, submission of false information or the failure to disclose known material information during the prosecution of a patent, coupled with the intent to deceive the Patent and Trademark Office.”).

In analyzing inequitable conduct, a multiple step approach is utilized.

1. The court must determine (a) whether the conduct meets a threshold level of materiality and (b) whether the evidence shows a threshold level of intent to mislead the PTO.
2. If both threshold levels are met, the court must weigh materiality and intent to determine whether in light of all the circumstances the applicant's conduct constitutes inequitable conduct and is so culpable that the patent should be held unenforceable.

Hoffmann-La Roche, 323 F.3d at 1359.

Inventors, their attorneys, and all others associated with prosecution of a patent application owe a duty of candor to the patent office. Dayco Prods., Inc., 329 F.3d at 1362. The duty of candor is defined in 37 C.F.R. 1.56:

Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.

In weighing the evidence, the more material the conduct, the less the evidence of intent which will be required. PerSeptive Biosystems, Inc. v. Pharmacia Biotech Inc., 225 F.3d 1315, 1318-19 (Fed. Cir. 2000).

1. Materiality

To establish inequitable conduct, FECO must prove by clear and convincing evidence that HECO withheld material information from the PTO. To be material for purposes of inequitable conduct, information must be “material to patentability.” The Federal Circuit applies the definition of “material to patentability” in 37 C.F.R. § 1.56(b) (2004) (See Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd., 394 F.3d 1348, 152-53 (Fed. Cir. 2005)), which states that information is material to patentability when:

[I]t is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

- (I) Opposing an argument of unpatentability relied on by the Office, or
- (ii) Asserting an argument of patentability.

37 C.F.R. § 1.56(b) (2004). Further, the Federal Circuit “has held that affirmative misrepresentations by the patentee, in contrast to misleading omissions, are more likely to

be regarded as material.” Hoffmann-La Roche, 323 F.3d at 1366 (citing Rohm & Haas Co. v. Crystal Chem. Co., 722 F.2d 1556, 1571 (Fed. Cir. 1983)).

Materiality is not analyzed in a vacuum, but is based upon the overall degree of similarity between the omitted reference and the claimed invention in light of the other prior art before the examiner. Baxter Int’l, Inc. v. McGaw, Inc., 149 F.3d 1321 (Fed. Cir. 1998). A reference need not be provided to the examiner if it is merely cumulative to or less material than the other references before the examiner. Upjohn Co. v. Mova Pharmaceutical Corp., 225 F.3d 1306, 1312 (Fed. Cir. 2000); Baxter, 149 F.3d 1321.

The Federal Circuit has held that in the case of a close question of materiality, the applicant/attorney should disclose the information. LaBounty Mfg. v. United States Int’l Trade Comm’n, 958 F.2d 1066, 1076 (Fed. Cir. 1992). Additionally, “information concealed from the PTO may be material even though it would not invalidate the patent.” Li Second Family L.P. v. Toshiba Corp., 231 F.3d 1373, 1383 (Fed. Cir. 2000). The test for materiality is “whether a reasonable examiner would have considered the information important, not whether the information would conclusively decide the issue of patentability.” Id. See also Dayco Prods., Inc., 329 F.3d at 1363 (holding that the inventor(s), the prosecuting attorney, and all others involved in prosecution must disclose all prior art that “a reasonable examiner would have considered the prior art important in deciding whether to allow the application”).

MPEP Section 2004 also provides guidelines to use when determining the materiality of prior art.³ Specifically, Section 2004.10 states “when in doubt, it is desirable and safest to submit information. Even though the attorney, agent, or applicant doesn’t consider it necessarily material, someone else may see it differently and

³The MPEP is the manual followed by examiners as they examine patent applications. The MPEP does not have the force and effect of law; however, it is entitled to judicial notice as the agency’s official interpretation of statutes or regulations, provided that it is not in conflict with the statutes or regulations. Molins PLC v. Textron, Inc., 48 F.3d 1172, 1180 n.10 (Fed. Cir. 1995).

embarrassing questions can be avoided.” This section of the MPEP also contains advice that is specifically pertinent to this case: “potentially materially information discovered late in the prosecution should be immediately submitted. That the issue fee has been paid is no reason or excuse for failing to submit information.” MPEP Section 2004.12.

In deciding whether prior art is material, the court must first determine what meaning the examiner would afford to the various claims in the application. According to the Federal Circuit, to determine whether prior art is material, each term in the claim must be given its broadest reasonable construction consistent with the specification. In re Hyatt, 211 F.3d 1367, 1372 (Fed. Cir. 2000); In re American Academy of Science Tech Ctr., 367 F.3d 1359 (Fed. Cir. 2004) (The USPTO uses a different standard for construing claims that used by district courts; during examination the USPTO must give claims their broadest reasonable interpretation). The patent examiner is not required to interpret claims in the same manner as a court would in an infringement suit. In re Morris, 127 F.3d 1048, 1054-55 (Fed. Cir. 1997). Instead, the “PTO applies to verbiage of the proposed claims the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in applicant’s specification.” Id.

2. Intent to Deceive

In addition to materiality, to establish inequitable conduct, FECO must prove by clear and convincing evidence that HECO withheld material information with an intent to deceive the PTO. See Allen Eng’g Corp. v. Bartell Indus., Inc., 299 F.3d 1336, 1351 (Fed. Cir. 2002) (“materiality does not presume intent, which is a separate and essential component of inequitable conduct”). The more material the information, the less the degree of intent to deceive that must be shown to establish inequitable conduct. Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253, 1256 (Fed. Cir. 1997). “Smoking gun” evidence is not required in order to establish an intent to deceive. Paragon

Podiatry Lab., Inc. v. KLM Labs., Inc., 984 F.2d 1181, 1191 (Fed. Cir. 1993). Intent to deceive “need not, and rarely can, be proven by direct evidence.” Elk Corp. of Dallas v. GAF Building Materials Corp., 168 F.3d 28, 31 (Fed. Cir. 1999). Instead, intent may be inferred where a patent applicant knew, or should have known, that withheld information would be material to the PTO’s consideration of the patent application. Driscoll v. Hoegerle, 731 F.2d 878 (Fed. Cir. 1984). According to the Federal Circuit, a patentee facing a high level of materiality and clear proof that it knew or should have known of that materiality, can expect to find it difficult to establish “subjective good faith” sufficient to prevent the drawing of an inference of intent to mislead. FMC Corp. v. Manitowoc, 835 F.2d 1411, 1415 (Fed. Cir. 1987); Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 326 F.3d 1226, 1239 (Fed. Cir. 2003). A mere denial of intent to mislead (which would defeat every effort to establish inequitable conduct) will not suffice in such circumstances. FMC Corp., 835 F.2d at 1415.

The Federal Circuit has established several guiding principals applicable with regard to determining whether an intent to deceive exists

- Intent to deceive “. . . can not be inferred solely from the fact that information was not disclosed; there must be a factual basis for a finding of deceptive intent.” Upjohn, 225 F.3d at 1312 (quoting Hebert v. Lisle Corp., 99 F.3d 1109, 1116 (Fed. Cir. 1996).
- Intent to deceive concerns an intent to deceive the patent office into issuing a patent, not merely an intent to do what was done in the course of the patent prosecution. Therma-Tru Corp. v. Peachtree Doors, Inc., 44 F.3d 988, 995 (Fed. Cir. 1995) (“intent ... does not mean that the inventor intended to do what he did in patent prosecution; it means that the inventor intended to deceive or mislead the examiner into granting the patent.”).
- When determining whether intent to deceive exists, a court must weigh all the evidence, including evidence of good faith. Akron Polymer Container

Corp. v. Exxel Container, Inc., 148 F.3d 1380, 1384 (Fed. Cir. 1998); Gambro Lundia AB v. Baxter Healthcare Corp., 110 F.3d 1573, 1580 (Fed. Cir. 1997).

- Negligence, even gross negligence, does not justify an inference of intent to deceive. Ulead Systems, Inc. v. Lex Computer & Management Corp., 351 F.3d 1139, 1145-46 (Fed. Cir. 2003); Halliburton Co. v. Schlumberger Tech. Corp., 925 F.2d 1435, 1442 (Fed. Cir. 1991). Instead, "[a]n applicant's conduct in its entirety must 'manifest a sufficiently culpable state of mind to warrant a determination that it was inequitable.' " Id. at 1443 (quoting Consol. Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804, 809 (Fed. Cir. 1990)).

B. Failure to Disclose Material Prior Art

1. Rawson

In deciding whether the Rawson device was material prior art which should have been disclosed to the PTO, the court finds that the relevant Rawson device is the unit as it existed on January 8, 2003, when inspected by Rissi and Podoll at the Lorenc farm. The testimony at the hearing established that the unit as it existed on that day was corroded and there was no evidence that the spinner assembly could be or had been easily moved to fine tune the spread pattern, as it was in the videotape shown during the hearing.

Upon learning from Monty Doyle that Rawson may be invalidating prior art, Rissi began investigating Rawson, requesting information from FECO and Doyle (which FECO possessed but did not produce), physically inspecting the unit, requesting information directly from Ray-Man and Lorenc, searching HECO's own files for pertinent information, and provided everything he found to Greg Williams, his patent attorney. Ultimately, the decision was made between Rissi and Greg Williams, not to submit Rawson to the PTO as it was not material or, if material, was cumulative.

Even though corroded, the Rawson unit was mounted on rails and was movable. The ‘281 patent claims “[a] spreader mounted to the box with rotating spinner apparatus incrementally and translatably adjustable fore and aft with respect to said stream in a plurality of operating positions with respect to said stream.” Giving these terms the broadest reasonable construction consistent with the specification, although a close question, it is likely that the Rawson unit is material and should have been disclosed to the PTO. The court need not answer the materiality question, however, as FECO has not produced clear and convincing evidence that HECO’s decision not to disclose Rawson was made with the intent to deceive the PTO. While the decision to “claim around” Rawson and submit it only as part of the continuation application is suspect, HECO’s point that it would be senseless for it to try to “hide” Rawson from the PTO when Doyle and FECO were contending that it was invalidating prior art is well taken. This is especially true considering the fact that the materiality of Rawson is a close call. The court does not, however, find HECO’s submission of Rawson in connection with its continuation application indicative of HECO’s subjective “good faith,” but rather an attempt to manufacture a response to FECO’s invalidity defense.

In sum, the court was not impressed by Greg Williams’ actions in prosecuting the ‘281 patent, or in explaining and/or defending his actions in the course of the litigation, but ultimately concludes that FECO has failed to prove by clear and convincing evidence that this case is exceptional so as to warrant an award of attorney fees.

2. Cumulativeness of Rawson

According to Rule 56 and Federal Circuit case law, a prior art reference is cumulative [and therefore not material] if it “teaches no more than what a reasonable examiner would consider to be taught by the prior art already before the PTO.” Regents of the University of California v. Eli Lilly and Co., 119 F.3d 1559, 1574-75 (Fed. Cir. 1997). The Federal Circuit has held that uncited prior art is not cumulative to cited art when the uncited art lacks one claim limitation and the cited art lacks two claim

limitations. Baxter Int', Inc., 149 F.3d 1321. See also LaBounty Mfg, Inc., 958 F.2d at 1075 (undisclosed prior art items are not cumulative to cited items when the former have “more relevant features” than the latter; substantial evidence supported the finding that the structure of undisclosed prior art items “was far closer to that called for in the patent than the prior are cited to the examiner”); University of California v Eli Lilly and Co., 39 U.S.P.Q.2d 1225, 1255 (S.D. Ind. 1995) (the uncited reference “describes the very approach [the applicant] denied existed in any of the cited prior art”); Gardco Mfg, Inc. v. Herst Lighting Co., 820 F.2d 1209 (Fed. Cir. 1987) (The undisclosed devices were not cumulative to prior art considered by the PTO because those devices were “the only prior art devices having all four of the structural elements of the claimed invention.”); Molins PLC v. Textron, Inc., 48 F.3d 1172 (Fed. Cir. 1995) (A withheld reference may be highly material when it discloses a more complete combination of relevant features, even if those features are before the patent examiner in other references.); GFI, Inc. v. Franklin Corp., 265 F.3d 1268 (Fed. Cir. 2001) (A reference disclosing two elements of the patentee’s claimed combination was not cumulative because no reference before the examiner disclosed this combination of required elements.).

HECO argues that it had no duty to submit information about the Rawson device to the PTO because the Rawson unit, to the extent that it was material at all, was cumulative of art already before the PTO. According to HECO, the combination of the Cervelli, Cowell, and Seymour patents, all of which were before the PTO, were significantly more instructive about the state of the prior art than was the Rawson unit as HECO understood it when the ‘281 patent issued. HECO further contends that many aspects of the Rawson device actually “teach away” from the invention of the 281 patent.

FECO counters that HECO’s “teaches away” arguments, raised for the first time during the attorney fee hearing, primarily by Professor Kesan, are irrelevant. Instead, the relevant time period for ascertaining what the Rawson device taught was during late 2002 and early 2003 when Rissi inspected the Rawson device and determined that it was at least

a two position spreader that was material to the claims of the '281 patent. Additionally, FECO argues, most of the features that HECO indicates “teach away” are not claimed in the '281 patent and thus are irrelevant to a determination of whether Rawson is material.

As set forth above, the court finds that FECO has not proved by clear and convincing evidence that HECO did not intend to deceive the PTO in failing to submit Rawson. As such, determining whether Rawson was merely cumulative of the Cervelli, Cowell, and Seymour patents is not necessary. Likewise, the court finds that FECO has not proved by clear and convincing evidence that HECO's failure to submit its own GT device as invalidating prior art constitutes inequitable conduct warranting an award of attorney fees.

C. Failure to Name Serbousek as a Co-Inventor

Anyone who invents patentable subject matter is entitled to a patent on his or her invention. 35 U.S.C. § 101. “Conception is the touchstone of inventorship.” Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1460 (Fed. Cir.), cert. denied, 525 U.S. 923, 119 S. Ct. 278 (1998). Conception is the formation in the mind of the inventor of a definite and permanent idea of the complete operative invention as it is to be applied in practice. Gemstar-TV Guide Int'l, Inc. v. Int'l Trade Com'n, 383 F.3d 1352, 1382 (Fed. Cir. 2004); Burroughs Wellcome Co. v Barr Labs. Inc., 40 F.3d 1223, 1228 (Fed. Cir.), cert. denied, 516 U.S. 1070, 116 S. Ct. 724 (1996). With regard to a person claiming to be a prior inventor,

[I]t is well established that when party seeks to prove conception via the oral testimony of a putative inventor, the party must proffer evidence corroborating that testimony. That rule addresses the concern that a party claiming inventorship might be tempted to describe his actions in an unjustifiably self-serving manner . . .

Singh v. Brabe, 317 F.3d 1334, 1341-42 (Fed. Cir. 2003). With regard to a co-inventor:

Alleged co-inventors must establish their co-inventorship by facts supported by clear and convincing evidence. To meet the

burden of clear and convincing evidence, the alleged co-inventors must prove their contribution to the conception of the invention with more than their own testimony concerning the relevant facts.

Gemstar, 383 F.3d at 1382 (citations omitted).

[A]n alleged co-inventor's testimony cannot, standing alone, provide clear and convincing evidence. Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1460 (Fed. Cir. 1998). Instead, an alleged co-inventor must supply evidence to corroborate his or her testimony. Id.

Caterpillar Inc. v. Sturman Indus., Inc., 387 F.3d 1358, 1377 (Fed. Cir. 2004). Corroborating evidence is evidence of a contemporaneous disclosure that would enable one skilled in the art to make the invention. Burroughs, 40 F.3d at 1228; Price v. Symsek, 988 F.2d 1187, 1191 (Fed. Cir. 1993).

HECO's failure to name Serbousek as an inventor on the patent application does not constitute inequitable conduct. A review of Serbousek's deposition reveals that Serbousek himself was somewhat equivocal as to whether or not he was an actual inventor or should have been named as an inventor on the patent application. When asked initially, he declined Rissi's offer to be named as an inventor on the patent. Moreover, there is no evidence supporting FECO's theory that HECO intended to deceive the PTO by omitting Serbousek as an inventor, and thereby keeping from the PTO Serbousek's knowledge of Rawson. The patent application was filed in May 2000. Rawson as potential invalidating prior art was first mentioned over two years later in November of 2002. Upon learning in Serbousek's deposition that he thought he should have been named as an inventor, HECO corrected inventorship.

D. Litigation Misconduct - Applicable Legal Standard

A case may be exceptional under 35 U.S.C. § 285 if there has been misconduct during litigation or vexatious and unjustified litigation. Brooks Furniture, 393 F.3d at 1381; Sensonics, Inc. v. Aerosonic Corp., 81 F.3d 1566, 1574 (Fed. Cir. 1996). However, a

presumption exists that the assertion of infringement of a duly granted patent is made in good faith. Patent rights are useful only if they can legally exclude others from the patented subject matter. Springs Willow Fashions, LP v. Novo Indus., L.P., 323 F.3d 989, 999 (Fed. Cir. 2003). An attempt to enforce patent rights that are reasonably believed to be infringed does not entail special penalty when the patentee is unsuccessful. When "the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence." Eltech Sys., Corp. v. PPG Indus., 903 F.2d 805, 811 (Fed. Cir. 1990). "A frivolous infringement suit is one which the patentee knew or, on reasonable investigation, should have known was baseless." Stephens, 393 F.3d at 1274 (quoting Haynes Int'l Inc. v. Jessop Steel Co., 8 F.3d 1573, 1579 (Fed. Cir. 1993)). However, "[a]ttorney fees are not to be routinely assessed against a losing party in litigation in order to avoid penalizing a party for merely defending or prosecuting a lawsuit, and are awarded to avoid a gross injustice." Revlon, 803 F.2d at 679 (internal citation and quotation marks omitted).

1. John Williams' Expert Report

The record, when considered in its entirety, does not support FECO's contention that John Williams' expert report was actually prepared by HECO's attorneys. John Williams testified that HECO's attorneys took his initial draft and put it into final form, which he then reviewed and signed. The court finds nothing improper about this procedure, especially considering that John Williams is not a "career" expert witness. Further, the court finds that HECO's decision to discontinue its use of John Williams as an expert witness is not litigation misconduct that would warrant an award of attorney fees pursuant to 35 U.S.C. § 285.

2. The "Phantom Spreader"

The hearing testimony made clear that the existence of the "phantom spreader" was, and continues to be, a disputed fact. HECO's witnesses testified as to seeing a FECO

spreader that used a turnbuckle device in the same manner as the “screw” described in the ‘281 patent. FECO’s witnesses testified that FECO never used a turnbuckle device in any of its spreaders. Had this case proceeded to trial, it would have been up to the jury whose witnesses were more credible on this issue. The court finds that it was not litigation misconduct for HECO to proceed with this claim.

3. Exhibit G-17

HECO concedes that exhibit G-17 was duly requested but was slow to be located and was not timely produced. HECO argues, however, that this was, at most, a minor discovery, and not litigation misconduct as the delay was not intentional. The court agrees. Aside from generally stating that it did not possess this document when it took depositions in this case, FECO has failed to demonstrate any prejudice from HECO’s failure to timely produce this document.

4. HECO’s Witnesses

As set forth above, HECO’s theory regarding Rawson was that while Rawson may have been “movable,” it was not “incrementally and translatably adjustable fore and aft . . . in a plurality of operating positions.” FECO’s questioning during the hearing attempted to get HECO’s witnesses to admit verbatim that Rawson was invalidating prior art. Not surprisingly, HECO’s witnesses declined the invitation. This does not constitute litigation misconduct.

5. Professor Jay Kesan

The timing of Professor Kesan’s disclosure and report does not constitute litigation misconduct. While not condoned, it happens that parties attempt to identify a new expert late in the game. FECO’s motion in limine challenged, both procedurally and substantively, Professor Kesan being called as an expert witness. HECO then dismissed its lawsuit, rendering moot FECO’s motion in limine. FECO, not HECO, chose to call Professor Kesan as a witness in the fee hearing. Any alleged deficiencies in Professor

Kesan's report go to the weight it was afforded, and were subjected to thorough cross-examination.

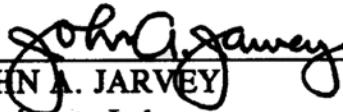
6. Iowa Code Chapter 322F.3

According to FECO, Rissi (in his deposition) acknowledged that he had a legal responsibility to buy back the equipment after HECO terminated FECO's dealership, but refused to do so, preferring to "resolve all matters at once." While not excusing HECO's decision to shirk an admitted legal obligation, the court does not find that HECO's actions with respect to its termination of FECO's dealership make this case "exceptional" under 35 U.S.C. § 285.

Upon the foregoing,

IT IS ORDERED that FECO's motion for attorney fees and expenses pursuant to 35 U.S.C. § 285 (docket number 147) is denied.

July 22, 2005.



JOHN A. JARVEY
Magistrate Judge
UNITED STATES DISTRICT COURT